

Report on the

**Department of Rehabilitation Services
State of Alabama
Montgomery, Alabama**

October 1, 2016 through September 30, 2020

Filed: November 26, 2021



**Department of
Examiners of Public Accounts**

**401 Adams Avenue, Suite 280
Montgomery, Alabama 36104-4338
P.O. Box 302251
Montgomery, Alabama 36130-2251
Website: www.examiners.alabama.gov**

Rachel Laurie Riddle, Chief Examiner



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Chief Examiner

State of Alabama
Department of
Examiners of Public Accounts

P.O. Box 302251, Montgomery, AL 36130-2251
401 Adams Avenue, Suite 280
Montgomery, Alabama 36104-4338
Telephone (334) 242-9200
FAX (334) 242-1775

Honorable Rachel Laurie Riddle
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Madam:

An examination was conducted on the Department of Rehabilitation Services, Montgomery, Alabama, for the period October 1, 2016 through September 30, 2020, by Examiners Troy Eastman and Gerald Dedon. I, Troy Eastman, served as Examiner-in-Charge on the engagement, and under the authority of the *Code of Alabama 1975*, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the examination.

Respectfully submitted,

Troy A. Eastman
Examiner of Public Accounts

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Table of Contents

	<i>Page</i>
Summary	A
Contains items pertaining to state legal compliance.	
Schedule of State Legal Compliance and Other Findings	D
Contains detailed information about findings pertaining to state legal compliance and other findings.	
Exhibit #1 Schedule of Cash Receipts, Disbursements and Balances	1
Exhibit #2 Board Members and Official – a listing of the Board Members and Official.	2



Department of **Examiners of Public Accounts**

SUMMARY

Department of Rehabilitation Services October 1, 2016 through September 30, 2020

This report presents the results of an examination of the Department of Rehabilitation Services (the “Department”) and a review of the Department’s compliance with applicable laws and regulations of the State of Alabama. This examination was conducted in accordance with the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5A-12. Our examination was performed to determine whether the public officers, agents, and employees of the Department properly and lawfully accounted for all money and other public assets, or resources received, disbursed, or in the custody of the Department. Our examination included determining compliance by the Department with state laws and regulations that pertain to financial transactions; personnel; safeguarding of state-owned assets, property, and resources; information dissemination, processing, and retention; and official actions, rulemaking procedures, and meetings. As a part of our examination, we also reviewed internal control policies and procedures relating to the areas listed above. Our examination did not encompass managerial and operational matters, such as whether the Department accomplished its mission or its regulatory, enforcement, investigative, or other oversight activities in an efficient, fair, timely, or legal manner.

The Department operates under the authority of the *Code of Alabama 1975*, Sections 21-9-1 through 21-9-14. The policy is to provide rehabilitation services, to the extent needed and feasible within resources available to eligible children and adults with disabilities throughout the State, so that they may engage in meaningful educational and employment opportunities and live independently to the extent of their capabilities.

The Department provides a variety of rehabilitation services through twenty-eight Alabama Department of Rehabilitation (ADRS) offices. The Alabama Early Intervention System (EI) provides early intervention services for children, up to the age of three years, who are born with disabling conditions or who are at risk for developmental delay. Children's Rehabilitation Service (CRS) provides educational, medical, and habilitative services including recreational and physical fitness services for children with special health care needs, including coordination and support for their families through statewide community-based programs. Hemophilia Service provides educational, medical and habilitative services for persons who require continuing treatment with blood, blood derivatives, or a manufactured pharmaceutical product to avoid disabling conditions, hospitalization, or other effects associated with hemophilia. Adult Vocational Rehabilitation Service (VRS) provides training and employment-related services for persons who have disabilities that present a substantial barrier to employment and who, as a result of services, have a reasonable expectation of becoming employed. This program also offers special services for the sensory impaired, providing employment opportunities for those who have hearing or visual impairments, or both. The Business Enterprise Program (BEP) provides food service vending employment opportunities for legally blind individuals. Homebound Service provides nursing, counseling, and attendant care services for persons with severe disabilities to enable them to achieve maximum independence in their home environment. Independent Living Service (SAIL) program that helps people with severe disabilities to fully participate in their community and achieve an independent lifestyle. Services available include peer counseling, information and referral assistance, independent living skills training and advocacy.

The Board of the Department of Rehabilitation Services consists of seven members, one from each United States Congressional District, appointed by the Governor and confirmed by the Senate. Three members shall be individuals with a disability, selected from consumer disability organizations; one member shall be a parent of a child with a disability; and three members shall be selected from organizations of business and industry within the state.

The Commissioner of the Department is appointed by and serves at the pleasure of the Board.

The Department owned nonconsumable personal property consisting of automobiles, office furniture, computers, and equipment. Nonconsumable personal property in the custody of the Department was compared with property records maintained by the Property Inventory Control Division of the State Auditor's Office. No discrepancies were noted.

FINDING

The following instance of noncompliance with State laws and regulations and other matters was found during the examination, as shown on the Schedule of State Legal Compliance and Other Findings and it is summarized below.

- ◆ 2020-001 Relates to the Department not verifying nine employees' employment eligibility through E-Verify by the third business day.

EXIT CONFERENCE

Board members and the Commissioner were invited to an exit conference held on October 6, 2021. Individuals in attendance were Board members: Jimmie Varnado and Stephen G. Kayes; Jane E. Burdeshaw, Commissioner; Ashley Hamlett, General Counsel; Shay Cannon, Chief Financial Officer; Tracy Francisco, Human Resources Director; and Matt James, Accounting Manager; along with Robin Hutcheson and Troy Eastman, representatives of the Department of Examiners of Public Accounts.

*Schedule of State Legal
Compliance and Other Findings*

Schedule of State Legal Compliance and Other Findings

For the Examination Period Ended September 30, 2020

Ref. No.	Finding/Noncompliance
2020-001	<p><u>Finding:</u></p> <p>The Department did not verify nine employees' employment eligibility by the third business day after the employees started work for pay. The employees' employment eligibility was verified four to forty-nine business days after the employees started work. As a result of the Department not verifying an employee's employment eligibility through E-Verify within three business days of starting work, the Department could hire and employ an unauthorized alien.</p> <p>The <i>Code of Alabama 1975</i>, Section 31-13-15 (a) states, "No business entity, employer, or public employer shall knowingly employ, hire for employment, or continue to employ an unauthorized alien to perform work within the State of Alabama."</p> <p>The <i>Code of Alabama 1975</i>, Section 31-13-15(b) states, "Effective April 1, 2012, every business entity or employer in this state shall enroll in E-Verify and thereafter, according to the federal statutes and regulations governing E-Verify, shall verify the employment eligibility of the employee through E-Verify."</p> <p>Furthermore, the E-Verify User Manual, Section 2.2 states, "E-Verify cases must be created no later than the third business day after the employee starts work for pay."</p> <p><u>Recommendation:</u></p> <p>The Department should E-Verify all new employees within three business days of the employee's first day of employment.</p>

Schedule of Cash Receipts, Disbursements and Balances
For the Period October 1, 2016 through September 30, 2020

	2019-2020	2018-2019	2017-2018	2016-2017
<u>Receipts</u>				
Education Trust Fund Appropriation	\$ 48,476,518.00	\$ 44,715,036.00	\$ 42,584,760.00	\$ 41,536,260.00
Insurance Recoveries	21,863.32	1,061.35	49,760.71	2,980.16
Medical Reimbursements/Co-Pay	764,962.29	271,648.88	292,394.23	279,702.28
Reimbursements Not Otherwise Classified	10,151,818.92	9,644,183.31	8,816,212.77	9,747,187.13
Judicial Article Fines	677,953.56	726,334.97	708,704.45	745,803.78
Interfund State Programs	154,523.89	39,897.76	150,255.00	
Interfund Federal Programs	32,496,818.59	31,083,980.42	27,521,442.11	24,577,390.02
Federal Operating Grants	77,947,893.93	74,293,525.47	68,918,029.22	76,875,925.01
Federal Operating Reimbursement	238,002.03	618,625.59	2,173,155.09	812,702.97
Local Government Operating Grants	78,193.72	100,881.60	90,566.48	94,700.25
Non-Government Operating Contribution	2.00	0.20	10.03	100.00
Salvage Equipment	44,504.15	42,245.05	25,452.70	27,506.99
Prior Year Refunds	8,878.14	73,935.86	101,124.15	31,211.65
Tobacco Settlement	274,083.00	345,701.00	246,763.00	246,763.00
Total	171,336,015.54	161,957,057.46	151,678,629.94	154,978,233.24
<u>Disbursements</u>				
Personnel Costs	42,630,772.18	41,758,157.35	39,425,920.86	38,499,474.63
Employee Benefits	17,051,386.12	16,871,403.22	16,353,798.57	15,331,746.91
Travel-In-State	1,322,319.79	2,027,473.04	1,785,128.76	1,790,653.86
Travel-Out-of-State	61,793.68	149,205.13	104,259.62	117,679.13
Repairs and Maintenance	573,121.81	217,191.39	229,620.96	793,506.96
Rentals and Leases	6,241,105.40	5,746,935.17	5,768,094.21	5,588,772.31
Utilities and Communications	1,474,801.24	1,471,181.55	1,539,402.63	1,387,700.86
Professional Services	2,274,271.30	2,258,292.55	2,852,557.65	2,739,681.21
Supplies, Materials and Operating Expenses	10,891,939.34	10,830,067.42	10,269,712.94	10,943,044.40
Transportation Equipment Operations	98,838.79	112,836.17	123,729.11	131,397.56
Grants and Benefits	80,322,588.76	56,913,378.63	74,309,088.91	73,294,001.42
Transportation Equipment Purchases	256,602.65	27,340,340.04	236,541.00	242,041.74
Other Equipment Purchases	2,305,887.43	2,216,050.13	1,627,603.33	2,281,695.60
Prior Year Refunds	583.50			
Education Trust Fund Reversion	2,111.80	2,376.56	63,472.67	
Total	165,508,123.79	167,914,888.35	154,688,931.22	153,141,396.59
Excess (Deficiency) of Receipts Over Disbursements	5,827,891.75	(5,957,830.89)	(3,010,301.28)	1,836,836.65
Cash Balances at Beginning of Year	28,865,922.96	34,823,753.85	37,834,055.13	35,997,218.48
Cash Balances at End of Year	34,693,814.71	28,865,922.96	34,823,753.85	37,834,055.13
Reserve for Unpaid Obligations	(25,612,672.90)	(27,312,708.03)	(24,089,459.88)	(21,595,284.81)
Available Cash Balances at Year-End	\$ 9,081,141.81	\$ 1,553,214.93	\$ 10,734,293.97	\$ 16,238,770.32

Board Members and Official
October 1, 2016 through September 30, 2020

Board Members		Term Expires
Hon. Eddie C. Williams	Chairman	2021
Hon. Michelle K. Glaze	Member	2026
Hon. Jimmie Varnado	Member	2022
Hon. Penny P. Foster	Member	2020
Hon. Charles Wilkinson	Member	2024
Hon. William Strickland	Member	2023
Hon. Leah Patterson Lust	Member	Deceased
Hon. Andrea Collett	Member	2018 (1)
Hon. Stephen G. Kayes, PhD	Member	2019
Hon. Roger McCullough	Member	2017

Official

Ms. Jane Elizabeth Burdeshaw	Commissioner 602 S. Lawrence Street Montgomery, AL 36104 Phone: (334) 293-7500 www.rehab.alabama.gov
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(1) Resigned December 2017